



REGULAR MEETING
PUBLIC EMPLOYEES' RETIREMENT BOARD

January 8, 2009

President John Paull called the regular meeting to order at 8:30 am Thursday, January 8, 2009. Roll call was taken with six members of the Board being present, Ms. Halpin was excused. Board members and staff present were:

John Paull, President
John Nielsen, Vice President
Loren Bough, Member
Ray Peck, Member
Dianna Porter, Member
Terry Smith, Member
Roxanne Minnehan, Executive Director
Melanie Symons, Legal Counsel
Scott Miller, Legal Counsel
Ursula Hatfield, Executive Assistant

OPEN MEETING

Ross Jensen and Linda Ulrich, Great West Retirement Services; Jason Baker, Ed Cleary, Scott Moore, Matt Norby and Rick Ryan members of the Montana State Firefighter's Association; Tom Schneider, MPEA; Russell Wrigg, AMRPE; Tim Twardoski and Linda Zander, AFSCME; Susan Bomstad, Kimberly Burdick, Brian McGowan and Kathi McGowan, MSPOA/Dispatchers; Senator Jim Keane and Renae Deadmond, Internal Auditor; Kim Flatow, Member Services Bureau Chief; Barb Quinn, Fiscal Services Bureau Chief; and Julie Reardon, Medical Examiner, joined the meeting.

MINUTES OF OPEN MEETING

The minutes of the open meeting of December 12, 2008 were presented.

Motion: Ms. Dianna Porter moved to approve the minutes of the December 12, 2008 PERB Regular Open Meeting.

Second: Mr. Ray Peck

No public comment.

Vote: 6/0

The minutes of the Board Retreat meeting of December 11, 2008 were presented.

Motion: Mr. John Nielsen moved to approve the minutes of the December 11, 2008 PERB Retreat Meeting.

Second: Mr. Loren Bough

No public comment.

Vote: 6/0

Public Comment on any subject of interest not on the Board agenda. No public comment.

EXECUTIVE DIRECTOR'S REPORT – Roxanne Minnehan, Executive Director

AFSCME Union Due's Withholding Request – Scott Miller and Barbara Quinn

Last month the Board requested staff meet with the Governor's Office staff to discuss the legal and programming costs of withholding AFSCME dues from retiree benefit checks. Ann Brodsky, Legal Counsel for the Governor's Office, has asked that this be tabled until the February Board meeting.

Motion: Mr. John Nielsen moved to postpone any action on the AFSCME Union Due's Withholding Request until the February 2009 PERB meeting.

Second: Mr. Ray Peck

No public comment.

Vote: 6/0

DC Investment Policy Statements – Employee Investment Advisory Council (EIAC) Recommendations – Roxanne Minnehan

EIAC performs an annual review of the Investment Policy Statements (IPS) for the PERS-Defined Contribution Retirement Plan (DCRP) and Deferred Compensation (457) Plan. They have recommended some minor changes for the Board's consideration, 1.) within both IPSs: Section IIIBa, set the minimum measurable operating history at three years and 2.) within the 457 deferred compensation plan IPS: Section 4D, set the default to the balanced fund. 3.) within Both IPSs: Section IIIBa; the Certified Financial Analyst (CFA) Institute provides global standards for

measuring portfolio management and investment analysis and certifies investment professionals 4.) with both IPSs: Section III2a; the ‘appropriate industry accepted database’ currently used is a proprietary database maintained by the Board’s consultant.

Motion: Mr. Terry Smith moved to uphold staff recommendation approving EIAC change recommendations and then approving the IPSs for 2009.

Second: Mr. John Nielsen

No public comment.

Vote: 6/0

AEGON Contract Modification – Fee Increase – Melanie Symons

AEGON Institutional Markets, through Monumental Life Insurance Company, provides the wrap or insurance that guarantees: 1) participants principal and 2) the quarterly credited rate (fixed rate as opposed to fluctuating market returns) for the defined contribution plans’ stable value investment option.

AEGON was chosen to provide this service through the competitive bidding process and currently holds a contract with the Board. The contract provides the ability for AEGON (or the Board) to propose changes with one month’s notice.

AEGON is increasing the fees they charge to provide this service – to all their clients. Fees are currently at 8 basis points; AEGON is increasing fees by 7 basis points – to 15 basis points, effective January 1, 2009 to be assessed with the quarter ending March 31, 2009.

Mr. Bough suggested that if they come with another amendment it would take us into the Request for Proposal (RFP).

Motion: Mr. John Nielsen moved to uphold staff recommendation approving the AEGON/Monumental Life Insurance contract endorsement modifying the fees (premium rate) to 15 basis points effective January 1, 2009.

Second: Mr. Loren Bough

No public comment.

Vote: 6/0

Notice of Adoption of Rules – Adoption of 457 and DC Plan Documents – Melanie Symons

The Board approved amendments to the Deferred Compensation (457) Plan Document and the PERS-Defined Contribution Retirement Plan Documents. The Plan Documents are adopted by reference in rule. Notice of Amendments to those rules were published November 26, 2008.

Comments were due by December 31, following which the rules can be adopted. The Notice of Adoption must be approved by the Board.

Motion: Ms. Dianna Porter moved to uphold staff recommendation approving the adoption of the proposed amendment to ARM 2.43.3501 and ARM 2.43.5101, in which the January 1, 2008 edition is adopted and incorporated by reference.

Second: Mr. Terry Smith
No public comment.

Vote: 6/0

Notice of Correction – Rules – Melanie Symons

While working on the replacement pages for the Board's revised rules, staff noted ARM 2.43.442 and 2.43.442 were not included in the list of rules being transferred from the "old" to their "new" location. Also, ARM 2.43.304 listed the wrong catchphrase. A Notice of Correction is required to correct these three procedural errors.

Motion: Mr. John Nielsen moved approving the Corrected Notice to address the transfer of two rules inadvertently omitted from the original Notice of Proposed Amendment, MAR Notice No. 2.43.403.

Second: Ms. Dianna Porter

No public comment.

Vote: 6/0

Informal Reconsideration – West Yellowstone's Request to Participate in FURS – Melanie Symons

The Town of West Yellowstone is requesting the Board to table their reconsideration.

Motion: Mr. John Nielsen moved to postpone action on informal reconsideration for West Yellowstone's request to join FURS until February 2009 PERB meeting.

Second: Mr. Ray Peck

No public comment.

Vote: 6/0

Galata School District – Retroactive Amendment of Contract to Participate in PERS – Melanie Symons

Staff recently performed a review of the PERS contracts. Galata School District's contract only covered janitorial positions; however, they have been offering PERS coverage to other positions. The contract needs to be amended. The Board must determine whether to amend the contract retroactively to 1994.

Motion: Mr. John Nielsen moved to uphold staff recommendation accepting the contract retroactively amending Galata Elementary School District's PERS contract back to January 1, 1994 for all eligible employees.

Second: Ms. Dianna Porter

No public comment.

Vote: 6/0

Out of State Travel Authorizations

The Board must approve all out of state travel.

GFOA Annual Conference, Seattle, June 27 – July 1 – Barbara Quinn

The GFOA Annual Conference provides an opportunity for accounting staff to receive training on the "hot" topics in accounting, personnel management, informational technology and pension benefits. This travel request has been approved by the Board in the FY 2008 Budget for two staff members. Because it is at fiscal year end, we recommend only one staff member attend.

Motion: Ms. Dianna Porter moved that Barbara Quinn be allowed to attend the 2009 annual conference of the Government Finance Officer's Association in Seattle, WA in June 2009.

Second: Mr. Terry Smith

No public comment.

Vote: 6/0

Verbal Update - Legislation

The 2009 Legislation Session formally began January 5. The Board's Legislation Committee met Tuesday, December 30, 2008.

HB12 the Working Retiree bill is scheduled for hearing Tuesday, January 13. **HB109**, the General Revisions Bill and **HB 170** the Qualifications Bill has had their first reading January 5.

HB31 allows current PERS 911 dispatchers to elect coverage in SRS by October 1, 2009. The Committee did not take action on this due to not having the actuarial impact statement. The fiscal note has been submitted. Representative Franke Wilmer is the sponsor. The amortization period

increases by 5.6 years. The unfunded actuarial liability (UAL) for SRS increases by \$3,603,000. Normal cost increases 0.07%. Total statutory shortfall of 0.30%. The amortization period for PERS remains the same. The UAL decreases by \$1,892,000. Normal cost rate increases by 0.01%. Ms. Bomstad and Ms. Burdick addressed the Board with testimony stating why this proposal is important for these positions. This legislation is proposed to retain employees. Mr. Miller counseled the Board has a policy that they will not support a bill that does not have adequate funding. This bill does not have adequate funding.

Motion: Mr. Terry Smith moved to support HB31.

Second: Mr. Ray Peck

No public comment.

Vote: 6/0

HB32 increases the benefit factor in FURS from 2.5% to 3%. The legislation also proposes increasing member and State contributions by 1% to fund the enhancement. Representative Franke Wilmer is the sponsor. The normal cost increases 4.7%, the amortization period increases 5.5 years and the UAL increases \$19,774,000. Mr. Ryan noted that some amendments are expected.

Motion: Mr. John Nielsen moved to oppose HB32.

Second: Mr. Loren Bough

No public comment.

Vote: 5/0 Mr. Paull abstained

HB33 includes overtime in the definition of annual compensation in FURS. Representative Franke Wilmer is the sponsor. The UAL increases \$7,456,000, the amortization period increases 0.2 years and increases normal cost 0.01%. The PERB Legislative Committee supports this bill.

HB124 allows FURS members who did not elect participation in the Guaranteed Annual Benefit Adjustment (GABA) to have another election. ICE Miller has expressed that the IRS will not look favorably upon this bill. Representative Robert Mehloff is the sponsor. The amortization period remains unchanged, UAL increases by \$273,000 and the funding rate increases by 0.02%. The firefighters have indicated they will amend the bill to reflect the firefighters paying contributions plus interest back to the date of the last election so the system will not absorb the cost. At this time the bill isn't written that way. The election period is through December 1, 2009. Increased contribution rates are not effective until January 1, 2010. The PERB Legislative Committee opposes HB124 due to IRS qualification issue.

HB142 is proposed by the Governor's Office. It removes the sunset trigger for the increased employer contributions in PERS and SRS when the systems' UAL can be amortized over less than 25 years without the increased contributions. Representative Franke Wilmer is the sponsor. No

actuarial impact statement was requested as the actuary is assuming that these contributions will remain in effect. The PERB Legislative Committee supports HB142.

LC0745 is a request by Senator Jim Keane to change the consideration/reconsideration process and place the process in statute. Ms. Symons expressed concern that legislation may take MPERA out of Montana Administrative Procedures Act (MAPA). Committee Chair, Ray Peck had discussed this with Senator Keane. Senator Keane is receptive to working with staff on revising the process in administrative rules. Senator Keane addressed the Board, stating that the reason he wanted to have this in bill form was to ensure that other members will be able to address the Board during the first stage of the hearing process. This bill is currently on hold.

Actuary Study Concerning Funding for Legislation

Mark Johnson, the Board's actuary has provided a report on the Estimated Impact of Market Value Losses as of October 2008. Mr. Miller, Ms. Symons and Ms. Minnehan discussed his study and whether or not it would be beneficial to a study similar to the Teachers Retirement System (TRS) actuary study plans.

Mr. Johnson spoke with the TRS actuary and stated that they are doing a major study for Teachers. The study is a model probability of returns. Mr. Johnson stated that it was a large cost to provide probabilities; he did not think there was a need for it. He stated that TRS study would not vary significantly from PERS. He suggested we look at TRS study to see if we wanted it done.

Staff then discussed updating the current information with the market value as of December 31. Staff concluded this concrete information to show the legislature. December 31 would be a good cut-off date and provide more current data. Staff will not receive the fair market values from Board of Investments until approximately January 15, 2009.

Board Education – Financial Fitness – Linda Ulrich, Great West Retirement Services

During the annual plan review, Linda Ulrich, Great West Retirement Services (GWRS), previewed a plan for member education workshops in accordance with their term contract. Ms. Ulrich presented the Financial Fitness workshop. The intent of the workshop is to provide members an overview of financial readiness.

Board Education – LAWS Navigation – Scott Miller

During the retreat, the Board requested a refresher on navigation the legislative website. LAWS is the website to access legislator, bills, fiscal notes and committee information.

2009 Comprehensive Annual Financial Report (CAFR) – Diann Levandowski

Ms. Levandowski presented the 2009 CAFR to the Board members. She highlighted some accomplishments for 2008: 1.) establishment of the business process workflow directory structure 2.) implementation of a benefit estimator for PERS 3.) Implementation of phase one Employers

Reporting All Employees (ERA) project 4.) integration of HB 131 and 5.) establishment of the internal controls manual. The CAFR consists of five sections: 1.) introductory 2.) financial 3.) investment 4.) actuarial and 5.) statistical.

Member Request – PERS, Service Credit Calculations, James Keane – Scott Miller

Senator Keane waived his right to a confidential hearing. Senator Keane requested he be allowed to present information to the Board regarding the calculation of his service credit. A similar request was made in 2007. The Board determined that staff had accurately determined Sen. Keane's service credit and denied his request for informal consideration and informal reconsideration. Sen. Keane appealed the Board's decision to an administrative contest case proceeding. Mr. Miller represented MPERA and filed a motion for summary judgment and brief in support. Sen. Keane and his attorney did not respond to the motion and later requested that the appeal be dismissed. The case was dismissed with prejudice, which means to prevent later reconsideration of the issues addressed in the contested case. Sen. Keane has provided additional information to the Board. Sen. Keane received an annual statement showing he had seventeen years service credit. The statement was in error, Sen. Keane actually only had thirteen years service credit. Sen. Keane informed that Teachers Retirement System (TRS) would stand by what was on the statement. Sen. Keane is also stating that he was classified a "full-time monthly" employee as of statute prior to 1972. This would entitle him to "full-time" service credit. Mr. Miller asked Sen. Keane to send him this information. At this time statute requires employees to work forty hours to be "full-time monthly"; therefore, does not entitle Sen. Keane "full-time" service credit.

Motion: Mr. Terry Smith moved to reopen the consideration for Senator James Keane due to new information.

Second: Mr. Ray Peck

No public comment.

Vote: 4/2, Mr. Bough and Mr. Nielsen voted nay.

Board DC Administrative Account Policy – Roxanne Minnehan

This is an opportunity for the Board to brainstorm and provide input to staff on items you would like included in a Board policy for the DC Administrative Fund. Mr. Bough stated he would like to see more product offered. After much discussion the Board requested staff revisit what is required vs. what is optional and present again with more staff recommendations.

Verbal Update – MPERA Staffing – Roxanne Minnehan

Disabilities Examiner: Julie Reardon started Tuesday, January 6, 2009. Ms. Reardon is a RN and has ten years experience as a case manager.

Paralegal: Staff is working on the Job Profile and working with HR for classification.

Administrative Support, Member Services is a new position and is currently setting up interview questions.

DC Administrative Support, is currently on hold.

Verbal Update – Board of Investments (BOI) – John Paull

President Paull is PERB's representative on the Board of Investments. November returns were not as bad as estimated at last month's meeting. The actual return was -3.9%, with FYTD -22.67%. The next BOI meeting is scheduled in February. President Paull mailed a letter to the Governor not to reappoint him to the BOI as PERB's representative. President Paull's term expired December 31, 2008.

Verbal Update – Litigation – Melanie Symons, Scott Miller

Mr. Miller spoke with MPPA's actuary in regards to the data they received.

Ms. Symons had no updates.

Next Board Meeting

February 12, 2009

March 12, 2009

Next Legislative Committee Meeting

January 13, 2009

The following portion of the meeting relates to matters of individual privacy. The Board President determined that the demands of individual privacy clearly exceed the merits of public disclosure. As such, this portion of the meeting will be closed.

CLOSED MEETING

Reconvene of open meeting

Motion: Ms. Dianna Porter moved to approve the minutes of the December 12, 2008 PERB Regular Closed Meeting.

Second: Mr. John Nielsen

Vote: 6/0

Member Request – PERS, Service Credit Calculations, James Keane – Scott Miller

Senator Keane waived his right to a confidential hearing. This matter is presented in the open meeting minutes.

Finalized Service Retirements Disability Benefit Payments - Kim Flatow

Motion: Ms. Dianna Porter moved to approve the Finalized Service Retirement/Disability Benefit Payments with addendum.

Second: Mr. Terry Smith

Vote: 6/0

ADJOURNMENT

There being no further business before the Board, Mr. John Nielsen moved to adjourn the meeting, Mr. Terry Smith seconded. All voted aye, next regular meeting will be Thursday, February 12, 2009. Meeting closed at approximately 3:30.